

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY  
TAX-EXEMPT SIMPLIFIED EQUIPMENT FINANCING PROGRAM**

**EXECUTIVE SUMMARY**

<b>Applicant:</b>	Saint Mary's College of California ("SMC") Moraga, CA Contra Costa County	<b>Amount Requested:</b>	\$2,700,000
		<b>Loan Term:</b>	10 Years
		<b>Date Requested:</b>	April 26, 2007
		<b>Resolution Number:</b>	E-6
<b>Facility Type:</b>	Private University		
<b>Project Location:</b>	1928 Saint Mary's Road, Moraga, CA 94556		
<b>Accreditation:</b>	Western Association of Schools and Colleges		
<b>Use of Proceeds:</b> Proceeds will be used to acquire, upgrade and install a variety of energy and water conservation equipment, which will result in approximately \$153,000 annual savings.			
<b>Type of Issue:</b> Private Placement Lease Financing			
<b>Security:</b> First lien on equipment held by CitiMortgage, Inc.			
<b>Expected Rating:</b> Unrated, however SMC has an underlying A3 rating with stable outlook (Moody's)			
<b>Placement Agent:</b> Municipal Finance Corporation (MFC)			
<b>Special Tax Counsel:</b> Gilmore & Bell, PC			
<b>Financial Status:</b> SMC continues to exhibit positive results from operating and nonoperating activities. The current year reflects an increase in unrestricted net assets of more than \$12.8 million. SMC's financial strength is sound with approximately \$205 million in total net assets.			
<b><u>Sources of Revenue – FYE 6/30/06 (000's):</u></b>			
<b>(Unrestricted Funds)</b>			
	<u>Amount</u>	<u>Percent</u>	
Tuition and fees, net	\$69,393	74%	
Sales and services of auxiliary enterprises	14,920	16%	
Endowment income and realized gains	4,450	5%	
Other sources	1,892	2%	
Contributions	1,711	2%	
Net assets released from restrictions	<u>1,614</u>	<u>1%</u>	
Total unrestricted revenue	<u>\$93,980</u>	<u>100%</u>	
<b><u>Sources of funds:</u></b>		<b><u>Uses of funds:</u></b>	
Proceeds	\$2,700,000	Equipment Lease/Purchase	\$2,700,000
Equity Contribution	<u>50,000</u>	Financing Costs	<u>50,000</u>
Total Sources	<u>\$2,750,000</u>	Total Uses	<u>\$2,750,000</u>
<b>Legal Review:</b> No information was disclosed to question the financial viability or legal integrity of the Applicant.			
<b>Staff Recommendation:</b> Staff recommends the Authority approve an equipment financing resolution for Saint Mary's College of California in an amount not to exceed \$2,700,000 with a term of 10 years.			

**STAFF SUMMARY AND RECOMMENDATION  
TAX-EXEMPT SIMPLIFIED EQUIPMENT FINANCING PROGRAM  
Saint Mary's College of California ("SMC")**

April 26, 2007

Resolution Number: E-6

**I. PURPOSE OF FINANCING:** SMC plans to update its campus with various energy and water conserving equipment. The college expects to realize annual savings of nearly \$153,000, or \$3.3 million over the 25-year life of the program, through its energy conservation measures. SMC has the option to purchase the equipment under the terms of the Lease Agreement.

**Equipment .....\$2,700,000**

There are seven main categories of energy and water conservation equipment to be installed throughout the campus. The following provides a brief description:

- Replace rooftop units on McKeon Gym
- Replace multizones on Le Fevre Theatre
- Replace boilers in De La Salle Hall
- Install campus-wide electrical sub-metering at 31 sites
- Install PC power management software on all 1,100 networked based computers
- Add redundant boilers in De La Salle Hall
- Retrofit 202 light fixtures with new lamps and ballasts in McKeon Gym

**Financing costs .....50,000**

Program Fees and Counsel Fees ..... \$47,975  
CEFA Fee ..... 2,025

***TOTAL USES OF FUNDS* ..... \$2,750,000**

Financing Structure:

- Tax-exempt lease financing.
- Privately placed with CitiMortgage, Inc.
- Ten-year lease financing fully amortized.
- Fixed interest rate estimated to be 3.94%.
- Estimated monthly payment is \$26,772.
- CitiMortgage, Inc will be granted a first priority security interest on the equipment.

## II. FINANCIAL ANALYSIS:

Saint Mary's College of California  
Statement of Activities  
 Unrestricted

	Fiscal Year Ended June 30,		
	2006	2005	2004
<b>Operating:</b>			
<b>Revenues:</b>			
Tuition and fees, net	\$69,392,777	\$ 67,046,960	\$62,089,184
Sales and services of auxiliary enterprises	14,919,861	13,988,590	13,166,082
Contributions	1,711,201	2,270,024	1,815,027
Investment income	527,503	180,665	43,221
Endowment income and realized gains distributed	4,450,113	4,245,778	4,327,727
Other income	1,364,932	716,793	970,044
Net assets released from restrictions	1,613,816	2,218,574	1,861,591
<b>Total operating revenue</b>	<b>93,980,203</b>	<b>90,667,384</b>	<b>84,272,876</b>
<b>Expenses:</b>			
Instruction and academic support	33,970,556	33,164,793	32,898,012
Academic support	7,997,549	11,715,371	9,549,610
Student services	12,404,827	11,716,617	11,347,223
Institutional support	15,006,241	15,244,178	14,759,444
Operations and plant maintenance	6,163,794	6,109,753	6,116,863
Other	-	19,308	38,227
Interest expense	1,989,861	2,120,424	2,205,000
Depreciation expense	4,329,731	3,135,752	779,134
Auxiliary services	7,093,252	6,904,687	6,327,528
<b>Total operating expenses</b>	<b>88,955,811</b>	<b>90,130,883</b>	<b>84,021,041</b>
 Increase in unrestricted net assets from operations	 <b>5,024,392</b>	 <b>536,501</b>	 <b>251,835</b>
<b>Nonoperating:</b>			
Contributions	548,027	-	-
Net gains and income on endowment	1,662,224	4,041,596	9,994,503
Net gains and income on other investments	880,579	136,209	218,874
Depreciation	-	(1,265,268)	(4,498,778)
Write-off of unamortized bond discount upon defeasance	-	-	(1,899,913)
Write-off of construction in progress on abandoned project	(1,432,226)	-	-
Unrealized (loss) gain on interest rate swaps	2,391,988	(1,518,119)	154,467
Other	2,981,121	19,363	36,698
Actuarial adjustments	557	(2,593)	(4,151)
Net assets released from restrictions	3,222,788	1,539,101	3,316,186
Non-operating increase in unrestricted net assets	10,255,058	2,950,289	7,317,886
Change in accounting principle	(2,503,460)	-	-
<b>Increase in unrestricted net assets</b>	<b>12,775,990</b>	<b>3,486,790</b>	<b>7,569,721</b>
 UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	 <b>86,901,038</b>	 <b>83,414,248</b>	 <b>75,844,527</b>
 UNRESTRICTED NET ASSETS, END OF YEAR	 <b>\$99,677,028</b>	 <b>\$ 86,901,038</b>	 <b>\$83,414,248</b>

**Saint Mary's College of California**  
**Statement of Financial Position**

	As of June 30,		
	2006	2005	2004
<b>ASSETS:</b>			
Current assets:			
Cash and cash equivalents	\$ 10,264,841	\$ 5,053,762	\$ 4,469,572
Investments	22,379,195	21,361,995	20,713,104
Student receivable, net	1,218,346	1,001,577	799,403
Contributions receivable, net	562,140	762,517	881,924
Accounts receivable, other	556,244	526,353	508,010
Inventory	106,485	113,719	74,799
Prepaid expenses	1,788,741	1,376,755	1,418,404
Total current assets	<u>36,875,992</u>	<u>30,196,678</u>	<u>28,865,216</u>
Noncurrent Assets			
Investments	135,669,897	125,503,559	118,445,887
Contributions receivable, net	11,877,258	10,732,002	10,839,633
Notes receivable, net	1,678,152	1,862,057	1,814,176
Other assets	2,786,693	1,845,017	2,099,319
Property, plant and equipment, net	81,966,146	84,738,088	86,495,672
Total noncurrent assets	<u>233,978,146</u>	<u>224,680,723</u>	<u>219,694,687</u>
Total assets	<u>\$ 270,854,138</u>	<u>\$ 254,877,401</u>	<u>\$ 248,559,903</u>
<b>LIABILITIES AND NET ASSETS:</b>			
Current liabilities			
Accounts payable and accrued liabilities	\$ 6,613,914	\$ 6,534,141	\$ 4,421,303
Current portion of long-term debt	2,265,113	2,201,178	3,704,454
Deferred revenue	4,534,399	4,850,621	4,659,919
Total current liabilities	<u>13,413,426</u>	<u>13,585,940</u>	<u>12,785,676</u>
Noncurrent Liabilities			
Liabilities under trust agreements	1,592,304	1,658,243	1,524,248
Long-term debt, excluding current portion	46,275,255	48,540,368	49,166,546
Asset retirement obligations	2,503,460	-	-
Federal government grants refundable	2,075,006	2,049,543	1,957,438
Total noncurrent liabilities	<u>52,446,025</u>	<u>52,248,154</u>	<u>52,648,232</u>
Total liabilities	<u>65,859,451</u>	<u>65,834,094</u>	<u>65,433,908</u>
<b>Net assets:</b>			
Unrestricted	99,677,028	86,901,038	83,414,248
Temporarily Restricted	27,379,078	23,141,786	22,476,992
Permanently Restricted	77,938,581	79,000,483	77,234,755
<b>TOTAL NET ASSETS</b>	<u>204,994,687</u>	<u>189,043,307</u>	<u>183,125,995</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 270,854,138</u>	<u>\$ 254,877,401</u>	<u>\$ 248,559,903</u>

**Financial Ratios:**

	<b>Proforma (a)</b>			
	<b>FYE June 30, 20</b>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Debt service coverage (x)	4.25	4.56	1.50	2.78
Debt to expendable net assets (x)	0.80	0.78	0.93	0.94
Expendable net assets to operations (x)		0.70	0.61	0.67
Margin (%)		5.30	0.60	0.30

(a) Recalculates 2006 results to include the impact of this proposed financing. The proforma debt service coverage based on operating results only is 3.81 times.

## **Financial Discussion:**

**SMC continues to exhibit positive results from operating and nonoperating activities. The current year reflects an increase in unrestricted net assets of more than \$12.8 million.**

Operating revenues totaled \$93.4 million, increasing by \$3.3 million or 3.7% in FY 2006 as compared to FY 2005. This increase can be primarily attributed to an increase in net tuition and fee income and to an increase in sales and services of auxiliary enterprises.

Operating expenses totaled \$88.9 million, decreasing by \$1.2 million or 1.3% as compared to the prior fiscal year. This decrease is due mainly to cost saving measures, staff salary savings, and lower expenditure levels in the College's School of Extended Education, which is in the process of "teaching-out" its programs.

The increase in net assets from operations totaled \$4.5 million, representing a significant increase from the \$0.9 million decrease in net assets from operations from the prior fiscal year. This increase reflects both the increase in operating revenues and the decrease in operating expenses from the prior year. Also, an increase in unrestricted net assets from nonoperating activities totaled \$13.9 million and increased by \$7.3 million or 247.6% due to increased contributions from donors for capital projects. Of note, the change in accounting principle category totaled \$2.5 million and reflects the recording of SMC's asset retirement obligations.

**SMC's financial strength is sound with approximately \$205 million in total net assets.**

In FY 2006, total net assets increased by \$15.9 million or 6.3% from the prior year due to increases in cash and cash equivalents related to improved operating results, the market appreciation of endowment investments and new endowment gifts, and increased net contributions receivable from fundraising.

The balance sheet remains strong with moderate debt. SMC maintains nearly \$205 million in total net assets. The debt service coverage ratio increased significantly in the current year to 4.56x. The pro forma debt service ratio coverage remains very strong at 4.25x.

Through this financing, SMC expects to realize annual savings of nearly \$153,000, or \$3.3 million over the 25-year life of the program with its energy conservation measures.

### **III. BACKGROUND:**

#### **General:**

SMC is one of the oldest colleges in the West. Founded in San Francisco in 1863, its stewardship was assumed by the Christian Brothers in 1868. After its 1872 California Incorporation, SMC was given a charter empowering it to confer degrees and to exercise all other privileges of a university. The campus was relocated to Oakland in 1889 and then moved to its present site in Moraga in 1928 where it continues to offer a comprehensive array of liberal arts and professional undergraduate and graduate programs.

#### **Accreditations and Affiliations:**

SMC is accredited by the Western Association of Schools and Colleges. It also has professional accreditation from the following organizations: Commission on Teacher Credentialing, California State Board of Registered Nursing, National League for Nursing, American Bar Association, Montessori Accreditation Council for Teacher Education, American Association of Museums, and National Collegiate Athletic Association.

In addition to the accreditation organizations listed above, SMC is affiliated with the following organizations: American Association of Colleges for Teacher Education, American Association of Colleges of Nursing, American Montessori Society, Association of American Colleges and Universities, Association of Catholic Universities and Colleges, Association of Independent California Colleges and universities, California Association of Colleges for Teacher Education, Council for Advancement and Support of Education, Council for Higher Education Accreditation, Council of Independent Colleges, Executive MBA Council, Institute of International Education, Internal Association of Lasallian Institutions of Higher Education, and National Association of Independent Colleges and Universities.

#### **Academic Programs:**

SMC is organized into five schools, School of Liberal Arts, School of Science, School of Economics and Business Administration, School of Education, and School of Extended Education, which provide the programs of study for students at the undergraduate and graduate levels.

**IV. OUTSTANDING DEBT:**

<u>Issue:</u>	<u>Original Issue Amount</u>	<u>Amount Outstanding as of 6/30/06</u>	<u>Estimated Amount Outstanding After Proposed Financing</u>
<b>Existing CEFA:</b>			
Revenue Bonds, 2001	\$ 24,000,000	\$ 22,525,000	\$ 22,525,000
Revenue Bonds, 2003	25,375,000	22,825,000	22,825,000
CEFA Equipment Financing 2004	1,700,000	1,214,368	1,214,368
<b>Other:</b>			
Housing Bonds, 1964	2,963,000	506,000	506,000
Note Payable to Bank, due 2020	2,100,000	1,470,000	1,470,000
<b>Proposed:</b>			
CEFA Equipment Financing 2007			2,700,000
Total	<u>\$ 56,138,000</u>	<u>\$ 48,540,368</u>	<u>\$ 51,240,368</u>

**V. DUE DILIGENCE:**

Due diligence has been completed with regard to the following items:

- Religious Due Diligence
- Legal Review
- Compliance with Assembly Bill 1341 – California Environmental Quality Act

**VI. STAFF RECOMMENDATION:**

Staff recommends the Authority approve an equipment financing resolution for Saint Mary's College of California in an amount not to exceed \$2,700,000 with a term of 10 years.